GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:923
ANSWERED ON:27.07.2001
WORLD BANK REPORT ON PENSION SECTOR
BIJOY KRISHNA HANDIQUE

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have since received the World Bank Report on India`s pension liability and arrears, itsfinancial implications and address the concerns arising out of this growing unfunded liability;

(b) if so, Government`s reaction to the magnitude of the long term fiscal burden; and

(c) the steps contemplated to launch pension reform as suggested in the Report?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) & (b) : Yes Sir. Government of India has received the World Bank Report on ` India - The Challenge of Old AgeIncome Security`. The report suggests that fundamental reform is advisable in order to provide sustainable and effective instruments for old age savings for Indian workers. The report supports recent reform proposals in terms of increased pre-funding of pension obligations and a better balance between public and private sector provisions. Changes in this direction will also facilitate parallel reform efforts including those in the insurance and enterprise sector.

As mentioned in the Budget for 2001-2002, the Central Government pension liability has been increasing. As a percentage of GDP, it has risen from about 0.5% in 1993-94 to around 1% in 2000-2001.

(c): Pursuant to Government`s announcement in the Budget for2001-2002 that the Civil Services Pension System would bereplaced by a new pension programme based on defined contributions, the Department of Pensions and Pensioners`Welfare has constituted a High Level Expert Group to preparea road map for such a transition. Similarly, a Committee has been constituted by the Insurance Regulatory Development Authority to prepare a blueprint for implementing pension reforms in the unorganised sector.